FISCAL NOTE

Bill #: SB0293 **Title:** Revise laws related to ethanol

Primary Sponsor: Black, J **Status:** As Introduced

Sponsor signature Date David Ewer, Budget Director Date

Fiscal Summary

	FY 2006 Difference	FY 2007 Difference
Expenditures:		
General Fund	$0	$0
Revenue:		
General Fund	$0	$0
Net Impact on General Fund Balance:	$0	$0

☐ Significant Local Gov. Impact	☒ Technical Concerns
☐ Included in the Executive Budget	☒ Significant Long-Term Impacts
☐ Dedicated Revenue Form Attached	☐ Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

Department of Environmental Quality (DEQ)

1. Methyl tertiary butyl ether (MTBE) is found in small concentrations in Montana gasoline in 2004. This bill would keep in place current conditions, so there is no impact to the cost of fuels that state government would incur.
2. The amount of monitoring of most ethanol and MTBE in gasoline would be done by the department reviewing reports and analysis of samples tested by industry and provided to department.
3. DEQ would conduct occasional spot checks to verify the presence of ethanol and MTBE in gasoline. The expense for these spot checks would be absorbed within current appropriations.
4. Enforcement actions referenced in Section 1 (2) of the bill if needed, would be absorbed by current appropriations within DEQ.

Department of Labor and Industry (DOLI)

5. Section 1 requires the department to certify that 30 million gallons of denatured ethanol have been produced in Montana. The department is unable to quantify the fiscal impact, if any, of the certification process. The department is unsure whether the certification is for product produced following the effective date of the bill, or if certification may include product produced prior to the effective date of the bill.

6. The department is unable to determine whether SB 293 requires it to determine where or when the ethanol was produced, or from where the raw materials required to produce ethanol came. As a result, the department is unable to quantify the fiscal impact, if any, related to determining whether ethanol is "produced in the state".
7. Section 1 requires the department to adopt standards and specifications that ensure all gasoline sold to consumers in the state be blended with ethanol. The department assumes it can absorb the costs of creating standards and specifications.
8. Section 2 exempts sales of gasoline from blending with ethanol under certain conditions, such as sales to racecourses or off-highway motor sports events. The department assumes that its enforcement of the provisions of Section 2 will be limited, and thus, have limited fiscal impact.
9. The department would incur some rulemaking costs to implement SB 293, which the department could absorb.
10. The department could incur some legal costs with respect to the enforcement provisions of SB 293. However, those costs cannot be predicted.

Department of Transportation (DOT)

11. The bill repeals the contingency where the tax on gasohol would be reduced to 85 percent of the present tax if two conditions were met. The January after the requirement for use of gasohol is met, gasohol is subject to the same tax as gasoline.
12. The assumption is that there will be an ethanol plant producing in Montana using Montana products in July 2006.

<u>FISCAL IMPACT:</u>

There is no fiscal impact.

<u>EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:</u>

1. Criminal prosecutions pursuant to SB 293 would be the responsibility of local governments (i.e., counties and cities).

<u>LONG-RANGE IMPACTS:</u>

Department of Environmental Quality (DEQ)

1. MTBE is a chemical that causes long-term impacts to ground water and is very expensive to clean up. Eliminating MTBE may reduce expenses to clean up spills over the long term.
2. Requiring the use of ethanol in gasoline reduces the need for toxic chemicals for octane and oxygen in gasoline. This will reduce the likelihood of long-term impacts to ground water that is expensive to clean up.

Department of Transportation (DOT)

3. The contingency under 15-70-204, MCA, that states if there is an ethanol plant in production and the Department of Transportation has $20 million dollars in working capital, the tax rates on gasohol and bio-diesel will be reduced to 85 percent of the present tax. The department estimates that the contingency requirements will be met at the beginning of FY 2008.
4. After the contingency is met, there could be a time period of one to six months that the tax on gasohol could be reduced to 85 per cent of the present tax. This would continue until the tax rate would revert to the same tax as gasoline as specified in the bill.

<u>TECHNICAL NOTES:</u>

Department Environmental Quality (DEQ)

1. This bill restricts the use of MTBE conditionally, when ethanol production reaches 30 million gallons. SB 131, if passed, would establish a restriction on MTBE in Jan. 1, 2006. Clarification may be needed if both bills were to be passed.

Department of Transportation (DOT)

2. This bill does not eliminate the contingency effective date of Chapter 568, Laws of 2001, but only repeals the contingency termination date. The reduced tax on gasohol is addressed but not the reduced tax on bio-diesel. If the contingency is met, the tax on bio-diesel would still be 85 per cent of the present tax.
3. Chapter 568, Laws of 2001, would become effective if the contingencies were met and the tax on gasohol would be the same as gasoline but the tax on bio-diesel would still be reduced to 85 per cent of the present tax. In addition, under Chapter 568, labels on pumps dispersing gasohol are required stating the tax is 85 per cent of the tax on regular gasoline. That was not repealed. The tax on gasohol would not be decreased but labels would advertise it as being decreased.